

Portland District Library

**Financial Statements
With Supplemental Information
June 30, 2008**

Auditing Procedures Report

Instructions and MuniCodes

=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* PORTLAND DISTRICT LIBRARY	County* IONIA	Type* LIBRARY	MuniCode* 34-8-001
Opinion Date-Use Calendar: Nov 24, 2008	Audit Submitted-Use Calendar: Dec 18, 2008	Fiscal Year End Month* 06	Fiscal Year 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 475,422.00
General Fund Expenditure:	? \$ 403,483.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 618,851.00
Governmental Activities Long-Term Debt (see instructions):	? \$ 2,555,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name) STEVEN	Last Name* THOMPSON	Ten Digit License Number 1101012375		
CPA Street Address 356 E MAIN	City* SARANAC	State MI	Zip Code 48881	Telephone* +1 (616) 642-9467
CPA Firm Name BIGGS, HAUSSERMAN, THOMPSON & ASSOCIATES, P.C.	Unit's Street Address* 334 KENT STREET	Unit's City PORTLAND	Unit's Zip* 48875	

Portland District Library

June 30, 2008

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Independent Auditor's Report



Independent Auditor's Report

To the Library Board
Portland District Library
Portland, Michigan

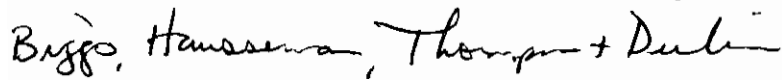
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portland District Library as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of Portland District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Portland District Library as of June 30, 2008 and respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Portland District Library's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

November 24, 2008

Management's Discussion and Analysis

Portland District Library
Management's Discussion and Analysis
June 30, 2008

This section of the Portland District Library's annual financial report represents our discussion and analysis of the Library financial performance and is intended to assist the reader in focusing on significant financial issues, provide an overview of the Library's financial activity, identify changes in the Library's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2008.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Portland District Library financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Library, presenting both an aggregate view of the Library finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds, the General Fund, Capital Projects Fund, and Debt Retirement Fund with all other funds presented in one column as nonmajor funds. The annual report is organized as follows:

Management's Discussion & Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Reporting the Library as a Whole - Government-wide Financial Statements

One of the most important questions asked about the Library is, "Is the Library as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Library's financial statements, report information on the Library as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Portland District Library

Management's Discussion and Analysis

June 30, 2008

These two statements report the Library's net assets- the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the Library's financial health, or financial position. Over time, increases or decreases in the Library's net assets - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Library's operating results. However, the Library's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the information provided.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Library, which encompass all of the Library's services. Property taxes and State penal fines finance most of these activities.

Reporting the Library Most Significant Funds – Fund Financial Statements

The Library's fund financial statements provide detailed information about the most *significant funds* - not the Library as a whole. Some funds are required to be established by State law and by bond covenants. However, the Library establishes many other funds to help it control and manage money for particular purposes (like the Debt Service Fund) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Library use the following accounting approach:

Governmental funds - All of the Library's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the Library and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation.

Portland District Library
Management's Discussion and Analysis
June 30, 2008

The Library as a Whole

The Statement of Net Assets provides the perspective of the Library as a whole. Table 1 provides a summary of the Library net assets as of June 30, 2008 and 2007:

Table 1:

Net Assets		
	Governmental Activities	
	2008	2007
Current and other assets	\$ 692,886	\$ 656,315
Capital assets	3,733,111	3,789,188
Total assets	<u>4,425,997</u>	<u>4,445,503</u>
Current and other liabilities	144,276	140,454
Long-term liabilities	2,435,000	2,555,000
Total liabilities	<u>2,579,276</u>	<u>2,695,454</u>
Net assets		
Invested in capital assets, net of related debt	1,178,111	1,124,188
Restricted debt service	49,759	78,949
Unrestricted	618,851	546,912
Total net assets	<u>\$ 1,846,721</u>	<u>\$ 1,750,049</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Library governmental activities is discussed below. The Library's net assets were \$1,846,721 at June 30, 2008. Invested in capital assets, net of related debt totaling \$1,178,111 compares the original cost, less depreciation of the Library capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approval property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Library's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$618,851, was unrestricted.

Portland District Library
Management's Discussion and Analysis
June 30, 2008

The \$618,851 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Library as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for fiscal year 2008 and 2007.

Statement of Activities Summary

TABLE 2

	Governmental Activities	
	2008	2007
Revenues		
Program revenues		
Charges for services	\$ 12,982	\$ 13,716
Grants and Catagoricals	8,431	9,845
General Revenues		
Property taxes	463,144	448,194
Penal fines	123,960	124,699
Other general revenues	50,516	34,017
Total revenues	659,033	630,471
Functions/Program Expenses		
Culture and recreation	459,560	407,000
Interest on long-term debt	102,801	104,986
Total expenses	562,361	511,986
Increase (decrease) in net assets	\$ 96,672	\$ 118,485

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$562,361. Certain activities were partially funded by those who benefited from service (\$12,982), governments and organizations that subsidized certain programs with grants and catagoricals (\$8,431). We paid for the remaining "public benefit" portion of our governmental activities with \$463,144 in taxes, \$123,960 in state penal fines, and with our other revenues, like interest and other revenues.

The Library experienced an increase in net assets of \$96,672.

As discussed above, the net cost shows the financial burden that was placed on the State and the Library taxpayers. Since property taxes for operations and penal fines constitute the vast majority of Library's operating revenue sources, the Library Board and Administration must annually evaluate the needs of the Library and balance those needs with anticipated available State unrestricted resources.

The Library Funds

As we noted earlier, the Library uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Library is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the Library overall financial health.

Portland District Library
Management's Discussion and Analysis
June 30, 2008

The Library Funds – (Continued)

As the Library completed this year; our governmental funds reported a combined fund balance of \$685,307, which is an increase of \$42,291 from last year.

The general fund's fund balance shows an increase of \$71,939. This is due to an excess of revenues over expenditures.

The debt service fund showed a decrease of approximately \$29,648. Millage rates are determined annually to ensure that the Library accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

The Uniform Budget Act requires that the Board approve the original budget for the upcoming year prior to July 1.

Over the course of the year, the Library's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the Library had \$3,733,111 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

Capital Assets at Year-end		
June 30		
	2008	2007
Land and Buildings	\$ 3,506,888	\$ 3,578,720
Furniture and equipment	226,223	210,466
Total capital assets	\$ 3,733,111	\$ 3,789,186

Portland District Library
Management's Discussion and Analysis
June 30, 2008

Debt

At the end of this year, the Library had \$2,555,000 in bonds outstanding versus \$2,665,000 last year – a decrease of \$110,000. Those bonds consisted of:

	Outstanding Debt at Year-end	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
General obligation bonds	<u>\$ 2,555,000</u>	<u>\$ 2,665,000</u>

We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The library's main funding sources of operating property tax millage and state penal fines generally constitutes 90% of the revenue received by the library. This is not expected to change during the upcoming year.

Contacting the Library Financial Management

This financial report is designed to provide the Library's citizens, taxpayers, customers, and investors and creditors with a general overview of the Library finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Jan Mosser
Librarian
Portland District Library
334 Kent Street
Portland, MI 48875
(517) 647-6981

Government – Wide Financial Statements



Portland District Library
Statement of Net Assets
June 30, 2008

Assets	Governmental <u>Activities</u>
Current assets	
Cash and cash equivalents	\$ 64,939
Investments	499,899
Due from other governments	128,048
Total current assets	<u>692,886</u>
Non current assets	
Capital assets	4,429,690
Less: accumulated depreciation	(696,579)
Net capital assets	<u>3,733,111</u>
Total assets	<u>\$ 4,425,997</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 2,648
Accrued payroll and other liabilities	4,931
Accrued expense	16,697
Long-term liabilities due within one year	
Bonds payable- due within one year	120,000
Total current liabilities	<u>144,276</u>
Noncurrent Liabilities	
Bonds payable-due in more than one year	<u>2,435,000</u>
Total Liabilities	2,579,276
Net Assets	
Investment in capital assets- net of related debt	1,178,111
Restricted - debt service	49,759
Unrestricted	<u>618,851</u>
Total net assets	<u>\$ 1,846,721</u>

Portland District Library
Statement of Activities
June 30, 2008

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Service	Operating Grants/Contributions	Activities
				Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:				
Culture and recreation	\$ 459,560	\$ 12,982	\$ 8,431	\$ (438,147)
Interest on long-term debt	102,801	0	0	(102,801)
Total governmental activities	<u>\$ 562,361</u>	<u>\$ 12,982</u>	<u>\$ 8,431</u>	(540,948)
General revenues:				
Taxes				
Property taxes, levied for general purpose				279,988
Property taxes, levied for debt service				183,156
Penal fines not restricted to specific purposes				123,960
Interest and investment earnings				15,397
Other				<u>35,119</u>
Total general revenues				<u>637,620</u>
Changes in net assets				<u>96,672</u>
Net assets- beginning of year				<u>1,750,049</u>
Net assets-end of year				<u>\$ 1,846,721</u>

Fund Financial Statements

Portland District Library
Governmental Funds
Balance Sheet
June 30, 2008

	General Fund	Debt Fund	Total Governmental Funds
Assets			
Cash	\$ (1,517)	\$ 66,456	\$ 64,939
Investments	499,899	0	499,899
Due from other governments	128,048	0	128,048
	<u>626,430</u>	<u>66,456</u>	<u>692,886</u>
Total assets	\$ 626,430	\$ 66,456	\$ 692,886
Liabilities and fund equity			
Liabilities			
Accounts payable	\$ 2,648	\$ 0	\$ 2,648
Payroll taxes payable	4,931	0	4,931
Total liabilities	7,579	0	7,579
Fund Equity			
Fund balances			
Designated for debt retirement	0	66,456	66,456
Designated	403,165	0	403,165
Undesignated	215,686	0	215,686
	<u>618,851</u>	<u>66,456</u>	<u>685,307</u>
Total fund equity	618,851	66,456	685,307
Total liabilities and fund equity	\$ 626,430	\$ 66,456	\$ 692,886

Portland District Library
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Assets
June 30, 2008

Total Fund Balances - Governmental Funds	\$ 685,307
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Amounts reported for governmental activities
in the statement of net assets are different because:

Capital assets used in government activities are not
financial resources, and are not reported in the funds

Capital assets cost:	\$ 4,429,690	
Accumulated depreciation:	<u>(696,579)</u>	
Net Capital Assets		3,733,111

Long term and other liabilities are not due and payable
in the current period and are not reported in the funds

Bonds Payable	(2,555,000)	
Accrued Interest	<u>(16,697)</u>	
Net assets of governmental activities		<u><u>\$ 1,846,721</u></u>

Portland District Library
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2008

	Major Funds		
	General	Debt Fund	Totals
Revenues			
Property Taxes	\$ 279,988	\$ 183,156	\$ 463,144
Penal fines	123,960	0	123,960
Grants	8,431	0	8,431
Interest	14,942	455	15,397
Miscellaneous	48,101	0	48,101
Total revenues	475,422	183,611	659,033
Expenditures			
Wages	187,959	0	187,959
Payroll taxes	15,260	0	15,260
Health insurance	9,134	0	9,134
Books	38,188	0	38,188
Periodicals	3,501	0	3,501
Supplies	4,336	0	4,336
Programs	2,570	0	2,570
Repairs and maintenance	40,924	0	40,924
Audio Visual	18,437	0	18,437
Computer Expense	18,790	0	18,790
Co-op fees	4,066	0	4,066
Insurance	7,493	0	7,493
Memberships and dues	540	0	540
Utilities	41,757	0	41,757
Professional services	7,461	0	7,461
Miscellaneous	3,067	0	3,067
Capital outlay	0	0	0
Debt Service			
Redemption of bonds/notes	0	110,000	110,000
Interest and fiscal charges	0	103,259	103,259
Total expenditures	403,483	213,259	616,742
Excess of revenues over (under) expenditures	71,939	(29,648)	42,291
Other financing sources (uses)			
Operating transfers in	0	0	0
Operating transfers out	0	0	0
Total other financing sources (Uses)	0	0	0
Excess (deficiency) of revenues over expenditures and other sources (uses)	71,939	(29,648)	42,291
Fund balances at beginning of year	546,912	96,104	643,016
Fund balances at end of year	\$ 618,851	\$ 66,456	\$ 685,307

See accompanying notes to financial statements.

Portland District Library
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to Statement of Activities
June 30, 2008

Net Change in Fund Balances- Total Governmental funds	\$	42,291
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds reported capital outlays as expenditures;
in the statement of activities, these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense		(116,647)
Capital outlay		60,570

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		458
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		110,000
		110,000

Change in Net Assets of Governmental Activities	\$	96,672
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Portland District Library

Notes to Financial Statements

June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Portland District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library is governed by an appointed Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Library's reporting entity, and which organizations are legally separate, component units of the Library. Based on the application of the criteria, the district does not contain any component units.

Governmental-Wide and Fund Financial Statements

The governmental-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Library's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Portland District Library

Notes to Financial Statements

June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental-Wide Statements – The governmental-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental funds:

The General Fund is the library primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Portland District Library
Notes to Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Property Taxes

Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenues when earned.

Properties are assessed as a December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

As part of the Ionia County Library Services contract, Ionia County levies the appropriate operating millage on a countywide basis. The County Treasurer is responsible for collecting the property taxes. The Treasurer will then remit the appropriate share to each library within the County, after settlement is made with the various taxing agencies within the County.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Library does not have infrastructure type assets.

Buildings, equipments, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Furniture and other equipment	5-20 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Portland District Library

Notes to Financial Statements

June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications – Comparative data is not included in the Library's financial statements.

Use of Estimates - The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Library to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds – The Library did not have significant expenditure budget variances.

Note 3 – Deposits and Investments

At year-end, the library deposits and investments were reported in the basic financial statements in the following categories:

	Governmental
	<u>Activities</u>
Cash and cash equivalents	\$ 64,939
Investments	<u>499,899</u>
Total	<u>\$ 564,838</u>

The deposits of the Library were reflected in the accounts of the Financial Institution at \$580,662, of which \$231,730 is covered by federal depository insurance. The remaining balance of \$348,932 was uninsured and uncollateralized.

Portland District Library

Notes to Financial Statements

June 30, 2008

Note 3 – Deposits and Investments (Continued)

State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the Library is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchases agreements, bankers' acceptances, commercial paper rated prime at the same time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The Library's deposits are in accordance with statutory authority.

Note 4 – Receivables

Receivables as of year-end for the library individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Receivables:	
Intergovernmental	\$ 128,862

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The library had no deferred revenue at year-end.

Note 5 – Capital Assets

Capital asset activity of the library Governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets being depreciated:				
Land And Buildings	\$ 3,708,838	\$ 0	\$ 0	\$ 3,708,838
Furniture and equipment	660,282	60,570	0	720,852
Subtotal	4,369,120	60,570	0	4,429,690
Accumulated depreciation:				
Land And Buildings	130,117	71,833	0	201,950
Furniture and equipment	449,815	44,814	0	494,629
Subtotal	579,932	116,647	0	696,579
Net capital assets	\$ 3,789,188	\$ (56,077)	\$ 0	\$ 3,733,111

Portland District Library

Notes to Financial Statements

June 30, 2008

Note 5 – Capital Assets (Continued)

Depreciation expense of \$116,647 was charged to activities of the library.

Note 6– Long-Term Debt

Bonds, loan and contract payable at June 30, 2008 are comprised of the following:

General Obligation Bonds

Building and site bonds of 2,940,000 November 2004
due in annual installments of \$110,000 to \$225,000
through May, 2023; interest at 2.50% to 4.45%. \$ 2,555,000

The following is a summary of long-term transactions for the year ended June 30, 2008:

	Bonds Payable
Long-term debt payable at June 30, 2007	\$ 2,665,000
Additions	0
Deletions	(110,000)
Long-term debt payable at June 30, 2008	<u>\$ 2,555,000</u>

The annual requirements to amortize long-term debt outstanding as of June 30, 2008, including interest payments are as follows:

	Bonds Payable
2009	\$ 220,182
2010	226,882
2011	227,918
2012	228,462
2013-2017	1,165,648
2018-2022	1,183,457
2023	235,012
Total	<u>\$ 3,487,561</u>

Note 7 – Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The Library has purchased commercial insurance for all risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Portland District Library

Notes to Financial Statements

June 30, 2008

Note 8 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Library believes such amounts, if any to be minimal.

The Library is involved in lawsuits from time to time. The ultimate outcome of any of these lawsuits cannot be presently determined; and the amount of damages, if any, cannot be determined at this time.

Note 9 – Fund Balance Designations

The following fund balance amounts have been designated:

General Fund - \$403,165 for subsequent year's operations.

Required Supplemental Information

Portland District Library
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Revenues				
Property Taxes	\$ 243,545	\$ 243,545	\$ 279,988	\$ 36,443
Penal fines	91,146	91,146	123,960	32,814
Grants	9,800	9,800	8,431	(1,369)
Interest	8,000	14,000	14,942	942
Miscellaneous	21,200	36,200	48,101	11,901
Total Revenues	373,691	394,691	475,422	80,731
Expenditures				
Wages	186,620	186,620	187,959	(1,339)
Payroll taxes	14,958	14,958	15,260	(302)
Health insurance	0	10,000	9,134	866
Books	35,000	35,000	38,188	(3,188)
Periodicals	4,500	4,500	3,501	999
Supplies	6,000	6,000	4,336	1,664
Programs	3,750	5,750	2,570	3,180
Repairs and maintenance	37,000	37,000	40,924	(3,924)
Audio Visual	14,000	14,000	18,437	(4,437)
Computer Expense	19,500	19,500	18,790	710
Co-op fees	4,750	4,750	4,066	684
Insurance	12,000	12,000	7,493	4,507
Memberships and dues	750	750	540	210
Utilities	42,600	42,600	41,757	843
Professional services	7,000	7,000	7,461	(461)
Miscellaneous	5,425	4,925	3,067	1,858
Total Expenditures	393,853	405,353	403,483	1,870
Excess of Revenue Over (Under) Expenditures	(20,162)	(10,662)	71,939	82,601
Other Financing Sources (Uses)				
Transfer to other funds	(10,000)	(10,000)	0	10,000
Total Other Financing Sources (Uses)	(10,000)	(10,000)	0	10,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ (30,162)	\$ (20,662)	71,939	\$ 92,601
Fund Balance, beginning of year			546,912	
Fund balance, end of year			\$ 618,851	

Other Supplemental Information

Portland District Library
Other Supplemental Information
Schedule of Bonded Debt
2003 Bonds
June 30, 2008

Year Ended June 30	Interest Rate	Principal May 1	Interest November 1	Interest May 1	Total Debt Requirement
2009	2.750%	\$ 120,000	\$ 50,091	\$ 50,091	\$ 220,182
2010	3.050%	130,000	48,441	48,441	226,882
2011	3.300%	135,000	46,459	46,459	227,918
2012	3.500%	140,000	44,231	44,231	228,462
2013	3.650%	145,000	41,781	41,781	228,562
2014	3.700%	155,000	39,135	39,135	233,270
2015	3.800%	160,000	36,268	36,268	232,536
2016	3.900%	170,000	33,227	33,227	236,454
2017	4.000%	175,000	29,913	29,913	234,826
2018	4.100%	185,000	26,412	26,413	237,825
2019	4.200%	190,000	22,620	22,620	235,240
2020	4.300%	200,000	18,630	18,630	237,260
2021	4.375%	210,000	14,330	14,330	238,660
2022	4.400%	215,000	9,736	9,736	234,472
2023	4.450%	225,000	5,006	5,006	235,012
Total		<u>\$ 2,555,000</u>	<u>\$ 466,280</u>	<u>\$ 466,281</u>	<u>\$ 3,487,561</u>

Purpose - To erect, furnish and equip a library building addition.



To the Library Board
Portland District Library
Portland, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Portland District Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Portland District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Library Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Biggs, Hausserman, Thompson & Dickinson, P.C.

November 24, 2008



To the Library Board
Portland District Library
Portland, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portland District Library for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 24, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Portland District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Portland District Library's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 1, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Portland District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were management's estimated lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 4, 2008.

Management Consultations with Other Independent Accountants

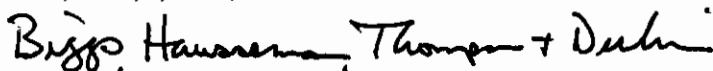
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Library Board and management of Portland District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Biggs, Hausserman, Thompson & Dickinson, P.C.

November 24, 2008